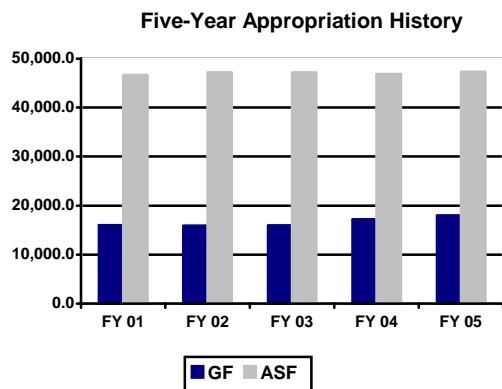
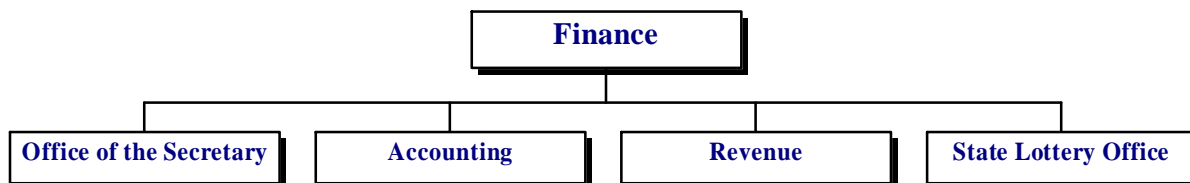


FINANCE

25-00-00



MISSION

To provide leadership in securing, allocating, managing and accounting for financial resources critical to the delivery of governmental services and promotion of Delaware's economic health.

KEY OBJECTIVES

- Promote the financial health of the state by providing technical analysis, policy information and advice on state finances to the Governor, the legislature, state agencies, other government entities, pertinent constituency groups and the general public.
- Reduce administrative costs by reengineering and streamlining state government to use resources more efficiently and effectively.
- Provide leadership and planning on global financial management issues, including revenues, debt and expenditures.

FUNDING

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	30,073.6	17,951.4	18,490.4
ASF	74,240.7	47,330.3	47,889.7
TOTAL	104,314.3	65,281.7	66,380.1

POSITIONS

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	260.0	255.0	250.0
ASF	36.0	44.0	47.0
NSF	--	--	--
TOTAL	296.0	299.0	297.0

FY 2006 BUDGET HIGHLIGHTS

OPERATING BUDGET:

- Recommend structural changes of (\$145.0) in Personnel Costs and (4.0) FTEs and \$145.0 ASF and 4.0 ASF FTEs in Delinquent Collection to reflect switch funding of these positions from General Fund to Appropriated Special Fund.
- Recommend \$100.0 ASF in Escheat for increased costs of claims processing services and \$220.0 ASF in Delinquent Collection for personnel costs, contractual services and training to increase auditing and collection of abandoned property.

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OFFICE OF THE SECRETARY

25-01-00

MISSION

To lead the state in developing and executing sound fiscal policies and practices.

KEY OBJECTIVES

- Make available all economic and financial information relevant to maintaining the state's financial position, policies and processes consistent with Delaware's designation as a triple-A state.
- Facilitate the exchange of necessary information between divisions within the Department of Finance, and among other state agencies, local governments and the public.
- Maximize effectiveness and efficiency by improving the state's fiscal operations through the use of appropriate financial and accounting controls.

BACKGROUND AND ACCOMPLISHMENTS

The Secretary of Finance is the state's chief financial officer and is the central source for economic and fiscal policy and for the management of financial resources. The Office of the Secretary provides the secretary with economic data, revenue and legislative analyses and public information services to assist in the office's policy function. The office supports the secretary by providing the operating divisions with managerial and technical support in achieving department-wide goals.

The office also provides management and oversight of General Obligation debt and overall coordination and management of all debt of the state and state authorities. In addition, the office builds the foundation for the state's budget process by providing the analysis and forecasting of revenues in support of DEFAC.

The following items attest to the office's success in accomplishing its mission:

- Helped the state to receive a reaffirmation of its triple-A bond ratings from the three Wall Street rating agencies for the fifth consecutive year. Delaware has maintained these ratings since the spring of 2000 and is now one of only seven states currently holding these ratings.

- Introduced the practice of having private sector DEFAC members make formal presentations covering Delaware's key industries in order to improve the depth and scope of DEFAC's deliberations. The presentations offered the council an "insider's perspective" and shed additional light on the fiscal issues facing the state.
- Participated in the negotiations of rebidding health care contracts and reviewing payments made to vendors. These steps helped keep out-of-pocket expenses lower for employees while simultaneously minimizing the cost to the state.
- Drafted legislation that was signed into law that will reduce the state's overall debt and thus reduce future interest payments made with taxpayer money.

FUNDING

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	16,122.8	3,488.2	3,453.1
ASF	30,345.7	1,845.0	1,897.5
TOTAL	46,468.5	5,333.2	5,350.6

POSITIONS

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	18.0	18.0	17.0
ASF	--	--	--
NSF	--	--	--
TOTAL	18.0	18.0	17.0

OFFICE OF THE SECRETARY

25-01-01

ACTIVITIES

- Monitor, analyze and interpret proposed state and federal tax, revenue and spending policies and legislation.
- Provide analysis, forecasting and tracking of revenues for consideration by DEFAC.
- Manage and monitor the state's bond sales and advise policymakers regarding the state's overall debt, debt reduction and capital acquisition strategies.
- Furnish guidance and direction in the management of the Twenty-First Century Funds consistent with the objective of using proceeds to meet the state's long-term infrastructure needs.

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- Provide department management services for information/technology, personnel, financial oversight and legislative support to assist the divisions in achieving their objectives.
- Created a program which will allow the state's triple-A, tax exempt bonds, to be easily purchased by Delawareans.
- Represent the administration on numerous boards and commissions, including the Board of Pensions, Cash Management Policy Board, Diamond State Port Corporation, Delaware Civic Center and the Riverfront Development Corporation.

ACCOUNTING

25-05-00

MISSION

To provide expert financial and technical accounting services on behalf of the State of Delaware, delivering central support to state organizations as well as consistent and reliable financial information to the public.

KEY OBJECTIVES

- To help facilitate successful implementation of the Payroll Human Resources Statewide Technology (PHRST) upgrade statewide and implementation of the Time and Labor module in various pilot state organizations during Fiscal Year 2005.
- Successfully complete the Comprehensive Annual Financial Report (CAFR) and ensure that the state receives a clean audit and a Government Finance Officers Association (GFOA) Certificate of Excellence.
- To incorporate public and private sector best practices into the design and implementation of a statewide comprehensive financial system.

BACKGROUND AND ACCOMPLISHMENTS

In fulfillment of its mission, the division's ongoing initiatives have increased the efficiency of the state's financial processes and continue to enhance the availability of information to its customers. The division is committed to reaching these goals through the application of technology. The division continuously works to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

The division continues to complement the PHRST system and will provide financial expertise for the planning and development of a statewide financials Enterprise Resource Planning (ERP). The first three phases of the web-based application for the administration of the SuperCard program have been implemented and provide the ability to monitor credit card purchases online and to access on-line reports. This program enhances the statewide purchasing function by providing better controls and increasing the potential for future rebate savings. In addition, software has been implemented to provide on-line access to financial reports and ad hoc capabilities for management analysis throughout the state. These are examples of how the

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division is proactively engaging state organizations and adopting “best practices” in financial reporting.

For the fiscal year ended June 30, 2003, the division issued the state’s CAFR in full compliance with Governmental Accounting Standards Board (GASB) Statements 34 and 35, which more closely align governmental financial statements with the ones found in private industry. The division again received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for Fiscal Year 2003. This marks the ninth consecutive year Delaware has been recognized by GFOA.

FUNDING

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	2,535.8	2,859.5	2,995.7
ASF	243.6	--	--
TOTAL	2,779.4	2,859.5	2,995.7

POSITIONS

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	36.0	39.0	40.0
ASF	--	--	--
NSF	--	--	--
TOTAL	36.0	39.0	40.0

ACCOUNTING

25-05-01

ACTIVITIES

With the advent of new technologies, the division continues to modify the way in which it provides accounting and payroll services. Listed below are some of the activities the division will focus on during the next fiscal year:

- Provide leadership for financial management activities throughout state government.
- Establish and implement policies, procedures and regulations pertaining to the statewide accounting and payroll systems.
- Provide and present a comprehensive view of the state’s financial condition through the regular publishing of interim financial statements and the year-end CAFR. Provide analysis, forecasting and tracking of expenditures for consideration by DEFAC.
- Process the state’s accounting and payroll transactions, certify the validity of transactions and

coordinate accounting, payroll and other financial matters with key agency fiscal personnel.

- Expand on the functionality of the management software for the SuperCard.

PERFORMANCE MEASURES

	FY 2004 Actual	FY 2005 Budget	FY 2006 Gov. Rec.
CAFR audit report	Clean	*N/A	Clean
GFOA certificate	Awarded	*N/A	Awarded
\$ Supercard Usage (millions)	14.5	74.1	150.1

* Award will be announced at the end of Fiscal Year 2005.

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REVENUE

25-06-00

MISSION

The primary revenue collector for the state, Revenue's mission is to collect 100 percent of the taxes and other revenues required by law, no more and no less, and to do so in a manner that creates the highest possible level of satisfaction on the part of the public with the division's competence, courtesy, effectiveness and efficiency.

KEY OBJECTIVES

- Improve voluntary compliance through improved communication with taxpayers, better distribution and design of tax forms and overall simplification of the tax code.
- Improve enforced compliance through the use of technology and effective allocation of resources to collection activities.
- Increase the cost effectiveness of divisional activities through the use of process flow analysis, the establishment of meaningful benchmarks and the judicious application of technical and human resources.
- Enhance the capabilities of staff through the implementation of a structured, long-term training and professional development program.
- Complete the implementation of Revenue's Business Systems Master Plan.

BACKGROUND AND ACCOMPLISHMENTS

Revenue revolves around three activities: tax processing, tax enforcement and policy formulation. Tax processing involves receiving documents and remittances (either in-house or via lockbox or electronic means), depositing remittances, entering/capturing data from returns, validating the taxpayer's determination of tax, refunding overpayments and assuring proper accounting (including internal controls) and reporting of these transactions.

Each year, the division processes over 425,000 personal and 600,000 business tax returns and issues more than 280,000 tax refunds. In addition, Revenue Information Technology staff is responsible for the design and administration of some of the most sophisticated and technically-advanced processing and imaging systems in

the state. Delaware has been a national leader in applying technology to tax administration.

Tax enforcement includes examinations and audits (i.e., determinations of tax) and collection of delinquent accounts. The division's enforcement responsibilities encompass 15 different revenue sources, including the state's personal and corporate income taxes, gross receipts tax and realty transfer tax.

The division provides data, administrative support and consultation to the Economic Analysis Group within the Office of the Secretary. The group is a central player in the development and analysis of Delaware's tax policy. It also plays a significant role in the coordination of economic development efforts with the state's overall fiscal strategy.

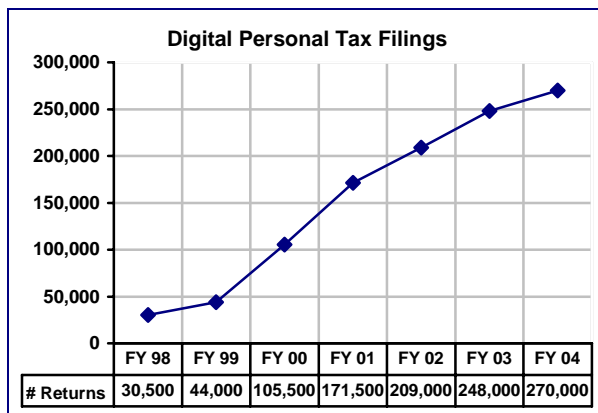
The division has focused on improving the quality of service to its customers. One of the ongoing initiatives is the Quality Service Mailbox, which allows callers to leave comments for the division. If a caller requests a response, the division responds within 48 hours.

Electronic filing of income tax returns has continued to expand statewide. The division received over 168,000 electronically-filed personal tax returns in Fiscal Year 2004 (compared to 144,000, 101,000, and 44,000 personal tax returns in Fiscal Years 2003, 2001, 1999 respectively). The division projects that it will receive 185,000 personal tax returns electronically in Fiscal Year 2005, which will represent approximately 43 percent of all Personal Income Tax returns filed. These returns do not require manual intervention in the form of sorting, data entry or return validation.

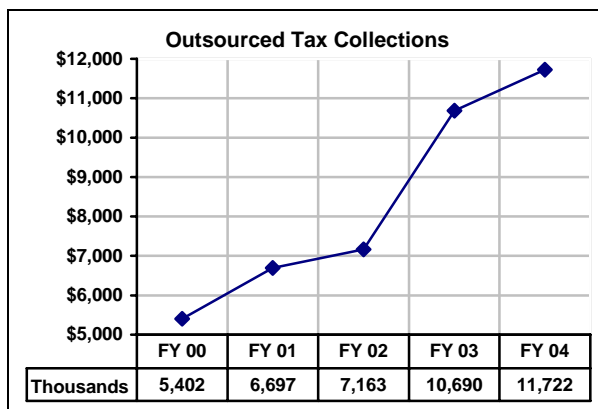
The division has aggressively promoted the method of filing personal tax returns in a digital format, consisting of Internet filing, electronic software filing, and bar-coded paper filing. Digital returns reduce mail and data entry processing and, as a result, improve the refund issuance process and decrease seasonal and operating expenses. Since implementation after Fiscal Year 1995, the number of digitally-filed returns has increased from zero in Fiscal Year 1995 to 270,000 in Fiscal Year 2004. At the same time, the number of seasonal employees hired to process tax returns has dropped from over 100 to around 65.

FINANCE

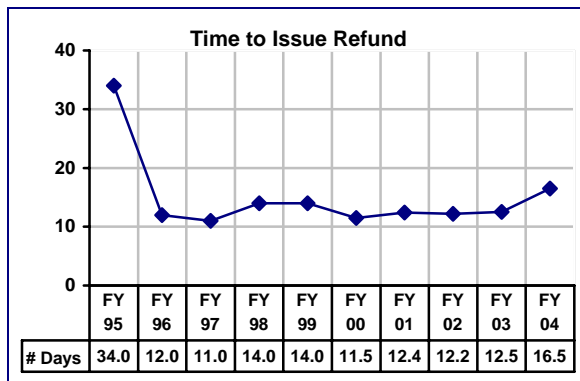
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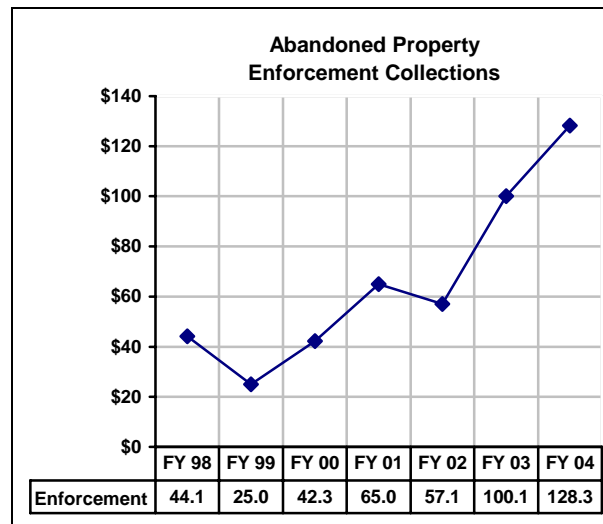
The practice of outsourcing delinquent tax collections started in May 1993, with six private firms currently deployed to collect delinquent taxes. The amount of outsourced collections increased from \$3.2 million in Fiscal Year 1995 to \$11.7 million in Fiscal Year 2004.



As part of the Business Systems Master Plan (BSMP), the division implemented an integrated imaging system into Personal Income Tax return processing that permits "exception" returns to be separated from non-exception returns. This initiative, along with improved training in preparation for tax season and the use of outsourced data entry, enabled the division to reduce the average number of days to issue a tax refund from 34 days in Fiscal Year 1995 to 16.5 days in Fiscal Year 2004.



The collections of Abandoned Property have continued to increase over the last five fiscal years. In fiscal year 2001 the division established an enforcement group, which has produced dramatic results. The focus on enhancing enforcement efforts has resulted in enforcement collections that have increased from \$42.3 million in Fiscal Year 2000 to over \$128 million in Fiscal Year 2004.



FUNDING

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	11,415.4	11,603.7	12,041.6
ASF	1,441.2	2,105.7	2,613.2
TOTAL	12,856.6	13,709.4	14,654.8

POSITIONS

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 GOV. REC.
GF	206.0	198.0	193.0
ASF	6.0	14.0	18.0
NSF	--	--	--
TOTAL	212.0	212.0	211.0

REVENUE

25-06-01

ACTIVITIES

- Disseminate tax information to the public and respond to taxpayer inquiries.
- Process and account for tax returns and associated remittances.
- Issue refunds of overpaid taxes and collect tax delinquencies.

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- Conduct audits, examinations and reviews and prepare assessments when amounts are found to be due the state.
- Manage and supply records of filings for current and prior years.
- Develop and manage revenue related IT systems.

PERFORMANCE MEASURES

	FY 2004 Actual	FY 2005 Budget	FY 2006 Gov. Rec.
Refund setoffs (\$M)	2.9	4.0	3.8
\$ outsourced tax collections (millions)	11.72	11.0	13.0
Personal Income Tax refunds (days)	16.5	13	13
Digital Personal Returns (1,000)	270.0	255.0	300.0
Revenue Automated Call Distribution (ACD) telephone waiting time (seconds)	36	30	30
\$ Abandoned Property Enforcement Collections (millions)	103.3	100.0	135.0
\$ Abandoned Property Total Collections (millions)	302.0	235.0	285.0

STATE LOTTERY OFFICE

25-07-00

MISSION

To maximize revenue contributions to the state's General Fund, thereby helping to fund the delivery of governmental services to the people of Delaware:

- Through the marketing, sale and distribution of innovative, entertaining and secure lottery products that ensure the public's confidence in the integrity of the games, retailers, agents and lottery operations and
- By providing leadership and a corporate culture that encourages productive change leading to improvement in every aspect of the business.

KEY OBJECTIVES

- Increase General Fund contribution from the Delaware State Lottery by \$9.4 million in Fiscal Year 2006.
- Improve customer satisfaction as measured by the Annual Satisfaction Survey by 1 percent as compared to benchmark levels of 64 percent positive for players and 77 percent positive for retailers.

BACKGROUND AND ACCOMPLISHMENTS

For the eighth consecutive year, Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per capita (\$665) than in any other state as total net proceeds from all three racetracks topped the one-half-billion mark for the fourth year in a row. In addition, while Fiscal Year 2004 saw Delaware expand its intra-state progressive video lottery gaming between the racetracks, new legislation made possible Delaware's participation in multi-state progressive video lottery games. Under the auspices of the Multi-State Lottery Association, Delaware has been asked to take the lead in this effort and chair a committee of currently eligible participating states (Delaware, Rhode Island and West Virginia) to develop a super wide area progressive network. The network is expected to be in place by the end of Fiscal Year 2005.

From the traditional lottery side, the Delaware Lottery continued its successful and very popular line of licensed property instant games, including "Betty Boop" and "Tabasco." Fiscal Year 2004 was also a good year for the Lottery's award winning website, delottery.com, as

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membership in its Player's Club grew to over 3,000 in just its third year of existence. Visitor traffic to the site continues to be among the highest of all State of Delaware operated websites.

Customer service remained an on-going focus for the Lottery in Fiscal Year 2004. Self service "Check-a-Ticket" stations were installed in more than 100 retailer locations throughout the state, enabling Lottery customers to check their tickets for winning combinations without having to interact with store personnel. These units were well received by both players and retailers and the Lottery plans to more than double the number currently in place.

In Fiscal Year 2004, the Delaware Lottery earned its fifth consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada (GFOA) for the Lottery's comprehensive annual financial report (CAFR). According to the GFOA, a nonprofit professional association, the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

Accomplishments:

- Delaware ranked first out of the 41 U.S. lotteries with per capita annual sales of \$801 for Fiscal Year 2004.
- Delaware ranked first out of the 41 U.S. lotteries with per capita profit to the state of \$277 for Fiscal Year 2004.
- Delaware ranked eighth out of the 41 U.S. lotteries with percentage of profit to sales of 34.6 percent in Fiscal Year 2004.
- Delaware ranked sixth out of the 29 U.S. lotteries belonging to the Multi-State Lottery Association (MUSL) with Powerball per capita annual sales of \$38 for Fiscal Year 2004.
- Delaware ranked second out of the five U.S. lotteries with video lottery with video net proceeds of \$532.3 million for Fiscal Year 2004.
- Since the start of video lottery, the Delaware Lottery has contributed nearly \$10 million to the Department of Health and Social Services to help fund problem gambling treatment programs in Delaware.

FUNDING

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 Gov. Rec.
GF	--	--	--
ASF	42,210.6	43,379.6	43,379.0
TOTAL	42,210.6	43,379.6	43,379.0

POSITIONS

	FY 2004 ACTUAL	FY 2005 BUDGET	FY 2006 Gov. Rec.
GF	--	--	--
ASF	30.0	30.0	29.0
NSF	--	--	--
TOTAL	30.0	30.0	29.0

STATE LOTTERY OFFICE

25-07-01

ACTIVITIES

- Continue to expand the present lottery/retailer network.
- Continue to control the video lottery on-line gaming system.
- Provide the public with games that are fun, easy and exciting to play.
- Explore new video lottery gaming formats that will allow the industry to stay competitive with neighboring states.
- Implement an enhancement to the statewide video lottery's central system that will allow greater flexibility in the selection of games that will be made available to patrons.

PERFORMANCE MEASURES

	FY 2004 Actual	FY 2005 Budget	FY 2006 Gov. Rec.
\$ GF revenue collections (millions)	222.0	231.4	223.5
Annual Satisfaction Survey—% positive responses from players	64	65	66
Annual Satisfaction Survey—% positive responses from retailers	77	78	79